

Message Text

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FM AMEMBASSY ASUNCION

TO SECSTATE WASHDC PRIORITY 8128

LIMITED OFFICIAL USE ASUNCION 3505

FOR DIRECTOR GENERAL LAISE FROM AMBASSADOR LANDAU

E.O. 11652: N/A

TAGS: APER, PA

SUBJ: LOCAL EMPLOYEE COMPENSATION

REF: STATE 197981

1. I AM FACED WITH SERIOUS MORALE PROBLEM AMONG LOCAL EMPLOYEES BECAUSE NEW LOCAL WAGE PLAN WHICH TOOK OVER TEN MONTHS TO PREPARE CONTAINS SERIOUS INEQUITIES.

2. BECAUSE OF RISE IN COST OF LIVING AND SALARY INCREASES IN KEY SECTORS OF PRIVATE ECONOMY, EMBASSY BEGAN TO PUT TOGETHER A NEW LOCAL COMPENSATION PLAN IN NOVEMBER 1975. TECHNICAL REQUIREMENTS PROVED SO COMPLICATED THAT DEPARTMENT EVENTUALLY CONTRACTED WAGE TEAM TO UNDERTAKE FULL SCALE STUDY AND PREPARE PLAN. TEAM FILED ITS REPORT IN MAY 1976. DEPARTMENT THEN REWROTE PLAN AND CABLED AUGUST 10 GIVING INSTRUCTIONS FOR ITS IMPLEMENTATION.

3. ACCORDING TO THESE INSTRUCTIONS, EXPECTED SALARY INCREASES WILL BE OFFSET BY STOPPING CERTAIN PAYMENTS WHICH DEPARTMENT CONSIDERS UNNECESSARY OR CONTRARY TO GENERAL PRACTICE. AMONG THESE ARE EXTRA PAYMENTS FOR HEALTH PROGRAM, FOR LANGUAGE SKILLS, AND A SPECIAL PAYMENT OF 8.5 PERCENT OF BASE SALARY PAID IN LIEU OF RETIREMENT BENEFITS TO THOSE EMPLOYEES NOT COVERED BY CIVIL SERVICE. ALTHOUGH LOCAL EMPLOYEES ARE UNHAPPY,

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WE CAN EXPLAIN DROPPING THE LATTER PAYMENTS, EVEN THOUGH

MANY WILL END UP RECEIVING A NET INCREASE OF ONLY 1 OR 2 PERCENT AGAINST A COST OF LIVING INCREASE OF OVER 15 PERCENT PER YEAR.

4. HOWEVER, I FIND IT EXTREMELY DIFFICULT TO JUSTIFY SUSPENSION OF THE HEALTH PROGRAM. UNDER THE PREVIOUS SALARY PLAN EMPLOYEES RECEIVED A SPECIAL BENEFIT OF 5.5 PERCENT OF THEIR SALARIES TO DEFRAY COSTS OF A HEALTH BENEFIT PLAN OPERATED BY THE LOCAL EMPLOYEES ORGANIZATION. EMBASSY AND DEPARTMENT'S CONTRACT TEAM PREPARED COMPREHENSIVE SUBSTITUTE HEALTH BENEFIT PLAN WHICH WAS TO BE INSTITUTED IN CONJUNCTION WITH NEW WAGE PLAN. HOWEVER, DEPARTMENT HAS DISAPPROVED EMBASSY PLAN, REQUESTING DEVELOPMENT OF NEW PROGRAM. AT SAME TIME DEPARTMENT HAS ORDERED THAT PRESENT PROGRAM, INVOLVING 5.5 PERCENT PAYMENT, BE DROPPED. AS A RESULT, FOR AN INDEFINITE PERIOD LOCAL EMPLOYEES WILL BE LEFT WITHOUT A HEALTH PROGRAM, A BENEFIT WHICH IS AN ESSENTIAL ELEMENT IN BRINGING OUR SALARY LEVELS INTO CONFORMITY WITH THOSE PAID BY LOCAL FIRMS.

5. NATURALLY, OUR LOCAL EMPLOYEES ARE UP IN ARMS ABOUT THIS, AND I SYMPATHIZE WITH THEM. IT SEEMS INCONSISTENT WITH AMERICAN PRINCIPLES OF JUSTICE AND EQUITY FOR US TO CHANGE CONDITIONS OF EMPLOYMENT ARBITRARILY BY ELIMINATING THE HEALTH PROGRAM, WHICH IS SIMILAR TO THOSE FURNISHED BY COMPARABLE EMPLOYERS AND WHICH I CONSIDER WE HAVE AN IMPLICIT COMMITMENT TO PROVIDE. I DO NOT BELIEVE DEPARTMENT WOULD CONSIDER TREATING U.S. GOVERNMENT EMPLOYEES IN THIS MANNER. THEREFORE, I STRONGLY URGE THAT UNTIL SUITABLE HEALTH PROGRAM IS APPROVED, DEPARTMENT AUTHORIZE CONTINUATION OF A SPECIAL PAYMENT OF 5.5 PERCENT OF BASE SALARY TO ALL LOCAL EMPLOYEES SO THEY CAN CONTINUE MEMBERSHIP IN PRESENT HEALTH PLAN WITHOUT FINANCIAL PENALTY. THERE WOULD BE CLEAR UNDERSTANDING WITH LOCAL PERSONNEL THAT THE PAYMENT IS STRICTLY FOR HEALTH BENEFITS AND THAT IT WOULD BE DISCONTINUED IMMEDIATELY UPON INSTITUTION OF A HEALTH BENEFIT PLAN.

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